

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4584-01
Bill No.: HB 1187
Subject: Public Assistance; Social Services Dept.
Type: Original
Date: January 24, 2012

Bill Summary: Requires all purchases made with Temporary Assistance for Needy Families benefits by a recipient in this state to be limited to in-state purchases only.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
	(\$668,426)		
Total Estimated Net Effect on General Revenue Fund	(\$668,426)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 208.247

Officials from the **Office of Attorney General, Office of Administration, Department of Economic Development, Department of Revenue and Department of Mental Health** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD) - Department of Social Services (DSS)** provide the following assumptions:

Section 208.247

The FAMIS system would need to change one letter to TANF recipients explaining the benefits to them. The letter would need to be modified to tell them that purchases are restricted to the State of Missouri.

- 1) Family Support Division (FSD) staff will enter the letter changes in the FAMIS Test region.
- 2) ITSD schedules and runs the Test jobs to produce the sample letters.
- 3) ITSD implements the letter changes to all regions once approved.
- 4) Testing and Implementation are estimated to take 40 hours.

The current rate for ITSD staff averages \$42.56 per hour.

Total Cost: 40 hours X \$42.56/hr = **\$1,702.40**

Match rates for FAMIS are 50% GR and 50% Federal.

Cost from General Revenue Funds = \$851.20

Cost from Federal Funds = \$851.20

Oversight assumes the OA-ITSD-DSS can absorb total costs of \$1,702.

Officials from the **Department of Social Services-Family Support Division (FSD)** assume the proposed legislation means Missouri TANF cash assistance recipients can only access their EBT cash assistance benefits via any Point of Service (POS) Terminal (Cash Purchase, Cash Purchase w/ Cash Back, Cash Withdrawal) and any ATM (Cash Withdrawal) as long as they are located within the State of Missouri.

HWC:LR:OD

ASSUMPTION (continued)

This will not affect a small portion of TANF participants who receive their benefit direct deposit into a personal checking or savings account. The FSD has no way of limiting the use of this assistance once it has been placed into an account within a financial institution.

Currently, Missouri follows the QUEST® operating rules for the distribution of government benefits. However, if Missouri limits TANF transactions to in-state only, it will be in violation of QUEST® operating rules. Missouri must remove any QUEST® logos from Missouri EBT cards.

To limit EBT TANF transactions to in-state only, replacement Electronic Benefit Transfer (EBT) cards will have to be issued for every active TANF eligibility unit in the state. In addition, replacement EBT cards will have to be issued for every active Food Stamp eligibility unit, as Food Stamp benefits are issued on EBT cards in Missouri.

Prior to issuing replacement EBT cards, each household will require written documentation notifying them of this change. In November 2011, there were 41,927 families receiving TANF. The majority of these TANF households also receive Food Stamps on their EBT card. Each of these households will require prior notification of the change. Mailing costs provided by the Office of Administration puts each notice at 36 cents each. ($41,927 \times 36 \text{ cents} = \$15,093.72$) In November 2011, there were an additional 336,782 households receiving Food Stamps only. Each of these households will require prior notification of the change. Mailing costs provided by the Office of Administration puts each notice at 36 cents each. ($336,782 \times 36 \text{ cents} = \$121,241.52$)

Mailing costs for initial notification of implementation of this legislation will be \$136,335 ($\$15,094 + \$121,242 = \$136,335$).

QUEST requires the State to become a non-member if cash assistance benefits cannot be used outside of Missouri. Missouri will be a non-QUEST State and will be required to reissue EBT cards to remove the QUEST logo from Missouri cards. The current contractor, Fidelity Information Services (FIS) provided an active card count of approximately 490,000 in the FIS' ebtEDGE System that would need to be replaced. FIS provided a fiscal break down as follows:

Start Up Cost:

Development & Implementation	\$ 2,835
Notification to Third Party Processors (TPPs), Networks and EBT Processors	\$ 1,875

ASSUMPTION (continued)

Costs Associated with switch to Non-Quest State:

Development/Implementation for Card Reissue \$ 65,060

Includes/Assumptions:

- Write program to generate new cards for existing cardholders

Card Issuance (490,000) (CardPro) \$161,901

Includes:

- Design new Card Carriers
- Batch Job Handling
- Per Card Charge
- Card Carrier
- Card processing (embossing)
- Card Envelopes

EBT-only Merchants, Third Party Processor (TPP) and Network Re-contracting:

Re-contracting Services \$122,580

Costs associated with implementation of new cards and reissuance of new cards would be \$354,251 ($\$2,835 + \$1,875 + \$65,060 + \$161,901 + \$122,580 = \$354,251$).

While the FSD will be responsible for postage costs to issue replacement cards, it is difficult to predict the total cost. Assuming that each card will be affixed to a postcard and accompanied by an additional notice regarding the new card, each envelope should weigh less than one ounce. Mailing costs provided by the Office of Administration puts each envelope at 36 cents each. The total approximate cost to mail new EBT cards to each active eligibility unit would be \$176,400 ($490,000 \times .36 \text{ cents} = \$176,400$).

All current merchant contracts are QUEST® contracts. There are approximately 4,000 merchants in Missouri. FIS must re-contract with every EBT-Only merchant, Third Party Processor (TPP) and Network. FSD will also incur these postage costs. The total cost to re-contract with current Missouri merchants would be \$1,440 ($4,000 \times .36 = \$1,440$).

Therefore, the approximate total cost to Missouri to implement this legislation would be \$668,426 ($\$136,335 + \$354,251 + \$176,400 + \$1,440 = \$668,426$).

All fiscal breakdowns provided by FIS are at a 50% confidence rate. Thus, the FSD cannot provide an exact dollar figure to implement this change. Therefore, the cost to Missouri is unknown but greater than \$668,426.

HWC:LR:OD

ASSUMPTION (continued)

Oversight assumes the FIS fiscal breakdown is an accurate estimate. Therefore, for fiscal note purposes only, Oversight has removed the “unknown but greater than” to the fiscal impact.

Officials from the **Department of Social Services - Division of Legal Services (DLS)** assume there will be an increase in hearings because individuals denied use of their TANF cards outside of Missouri may request a fair hearing to challenge either the authority of the DSS to limit the use of their TANF benefits, or whether it was factually accurate that the participant attempted to use TANF benefits outside the State of Missouri.

As of November 2011, 41,927 families receive TANF. This legislation targets any TANF recipient who spend any amount of TANF resources outside the state of Missouri. In the proposal, there are no limitations on the scope, duration, or amount of funds in question.

Assuming only 10% of the families receiving TANF benefits (41,927 as of November 2011) attempt to use their card out of state each month, this would result in 4,192 families using their card out of state. Assuming 10% of this number (4,192) then requests a fair hearing to contest the denial of their card, this would result in 419 additional hearings per month. With the current staff levels, this increase could not be absorbed. Additional staff of at least one more hearing officer would be required. There may also be additional need for support staff and office space. This is based on the assumption that the hearing officers hold approximately 900 hearings per year. These numbers could be lower or higher depending on how the provisions in the law are interpreted and the number of hearings may decline over time.

Total FY 13 costs are estimated to be \$57,692; \$65,076 for FY 14; and \$65,861 for FY 15.

Oversight assumes the potential increase of 419 additional hearings per month to be speculative. If the DLS’ workload increases substantially, the DSS can request additional funding through the appropriations process.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Costs - Department Social Services</u>			
Program Costs	<u>(\$668,426)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$668,426)</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2013
(10 Mo.)

FY 2014

FY 2015

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

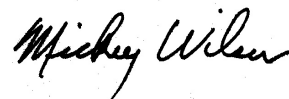
Section 208.057:

The proposed legislation requires all purchases made with Temporary Assistance for Needy Families (TANF) benefits by a TANF recipient in this state to be limited to in-state purchases only.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration
Department of Economic Development
Department of Mental Health
Department of Revenue
Department of Social Services



Mickey Wilson, CPA
Director
January 24, 2012